



ECONOMIC CRIMES DEPARTMENT

GLENN DEFENSE MARINE ASIA

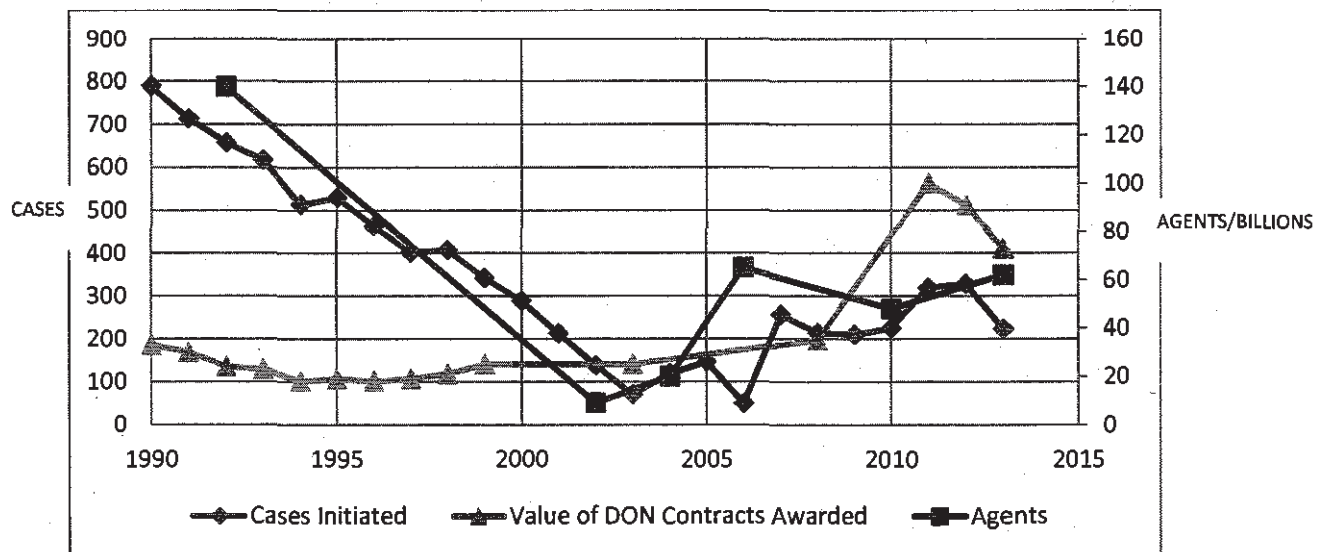
Since 2004, there have been numerous allegations GDMA was involved in fraudulent activity, to include overcharging the USN, threatening competitors and subcontractors, influencing foreign port officials, ghost or incomplete deliveries of goods and services, and corruption of the procurement process.

Although 10 criminal intelligence reports were produced, and 14 investigations were initiated between 2004 and 2012, the alleged criminal activity by GDMA was not interrupted. The

(b)(7)(A), (b)(7)(D), (b)(7)(E)

Factors that allowed GDMA to continue its criminal activity prior to Leonard Francis' arrest in September 2013, included the following:

- GDMA established a network of DoN personnel who were able to explain away allegations.
- When confronted about questionable charges, GDMA credited the Navy the charges in question, thereby eliminating any monetary loss and the appearance of criminal intent.
- No dedicated NCIS Economic Crimes (EC) agents were assigned to offices in the Pacific Rim and Southeast Asia until 2008, when one agent was assigned to the NCIS Far East Field Office in Yokosuka, Japan.
- Special Agents assigned to the NCIS Far East and Singapore Field Offices possessed limited training and experience in procurement fraud investigations.



Updated: 10 Feb 14

(b)(6), (b)(7)(C)



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Prior to September 2001, NCIS possessed a robust EC program with 140 dedicated Special Agents. After September 11, 2001, however, only nine dedicated agents remained, as assets were diverted to address the threat of terrorism. In 2006, additional EC billets were added to stateside field offices where they focused on safety issues associated with the procurement of counterfeit and materially deficient parts. In 2008, one EC billet was established in both the NCIS Far East and Europe Field Offices.

The NCIS EC program is currently comprised of 73 dedicated billets, to include supervisory personnel. More than half of the agents assigned have minimal (< one year) or no experience in the investigation of major procurement fraud.

Way ahead:

- Increase the number of dedicated EC Special Agent (GS-1811) and Forensic Financial Examiner (GS-0511) billets, commensurate with the volume of DoN contracting. (With only 72 dedicated Special Agent and 1 Forensic Financial Examiner billets, the NCIS EC program is the smallest of the Defense Criminal Investigative Organizations, yet the DoN expends more contracting dollars than any of the other Armed Services.) (Unfunded)
- Two vacant, stateside EC billets were relocated to the NCIS Singapore Field Office and are scheduled to be filled during the summer of 2014. (Funded)
- Expand training by developing a training plan specific to the investigation of public corruption and economic crimes. (Unfunded)
- The current training plan is limited to one, two-week Basic Procurement Fraud course offered by the Federal Law Enforcement Training Center (FLETC). Expanded training options include Product Substitution and International Money Laundering classes offered by FLETC. (Partially funded)
- Incorporate online training offered by the Defense Acquisition University (DAU), which allow for continuing education specific to DoD contracting. (No fee)
- Incorporate training from private sector SME's offered by the Association of Certified Fraud Examiners (ACFE) on specific schemes, to include conflict of interest, bribery and corruption. (Partially funded)
- Develop EC subject matter experts and future EC program managers through the Masters of Business Administration/Certified Fraud Examiner program offered through the Naval Postgraduate School. (Unfunded)
- Increase the number of agents that hold the Certified Fraud Examiner (CFE) designation, considered the standard for anti-fraud professionals, to a minimum of two per field office. (Unfunded)
- Train and appropriately equip the program's newly hired (Jan 14) Forensic Financial Examiner. (Unfunded)
- Develop and obtain intermediate and advanced EC training for dedicated Special Agents through FLETC, ACFE and DAU. (Unfunded)
- Obtain financial forensic analytical software, which expedites the analysis of financial documents. (Unfunded)



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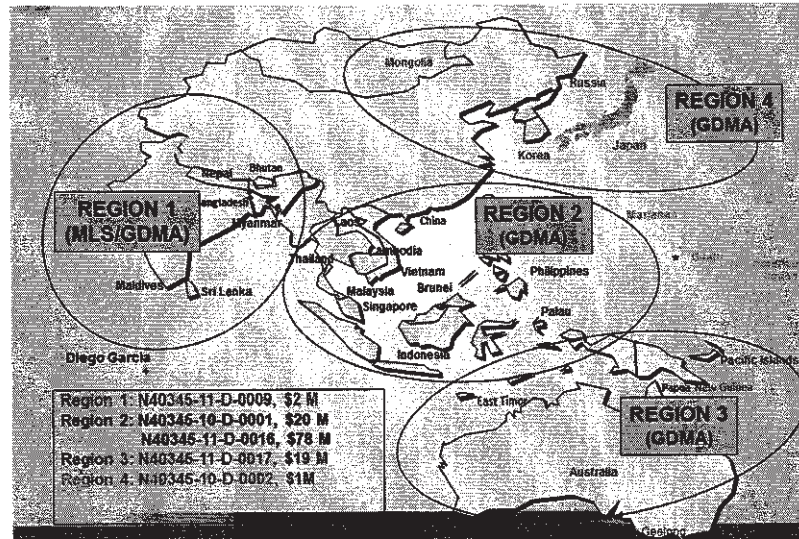
- Develop EC awareness briefing material for delivery to the complete spectrum of personnel involved in DoN contracting (active duty, civilians, and contractors). (Unfunded)
- Work in concert with the Navy's Acquisition Integrity Office to identify avenues and procedures through which criminal and civil court ordered restitution by defendants can be returned to DoN coffers. (No funding required)



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Detailed Breakdown of NCIS' Interaction with GDMA

From 2010 through September 2013, GDMA was contracted to provide a majority of the husbanding services in the Pacific region.



(b)(7)(A)

2006: Allegation made that GDMA submitted falsified invoices for husbanding services provided during the USS Ronald Reagan (CVN-76) port visit to Hong Kong. The (b)(6), (b)(7)(C) reported the CHT category on the invoice appeared to be excessively high for a four-day port visit. Interviews revealed the Reagan ran out of money during their port visit in Malaysia, and as the husbanding contractor for both ports, GDMA allowed the ship to pay the difference in Hong Kong. The (b)(6), (b)(7)(C) of the USS Ronald Reagan reportedly reimbursed GDMA for the \$68,000 owed for Malaysia by inflating the amount of CHT used in Hong Kong. Consequently, no investigation was initiated. (CCN

19JUN06-REYK-0159-4(XCR applies)

2007: Two Navy Inspector General (NAVIG) complaints identified GDMA as overcharging the Navy and suggested contract oversight was lax because of intimidation and bribes.

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(b)(6), (b)(7)(C)



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- April 2007: A NAVIG report alleged GDMA overcharged for various force protection items while providing husbanding services to the Navy in Southeast Asia. Two Fleet Industrial Supply Center (FISC) Detachment Singapore employees conducted a review of the GDMA invoices and USNS Stockham payments for services. The review revealed no charges for services not provided, or overcharge for services, as cited in the anonymous letter. (CCNs 19APR07-0023-0011-4MCR & 03MAY07-SNMQ-0084-4MNA pertain)

(b)(7)(A)

2009: Multiple complaints/allegations received from NCIS Sources and U.S. Fleet & Industrial Supply Center (FISC) personnel pertaining to the questionable billing (vehicles, CHT, fuel, port tariff) and operating practices of GDMA. The investigations were closed when GDMA modified their invoices when confronted, and DoJ declined to pursue prosecutions due to no clear criminal violations.

- February 2009: A NCIS Source provided information pertaining to the questionable billing and operating practices of GDMA for their operation(s) and services in Laem Chabang commercial port, Chonburi, Thailand. (CCN ~~18MAR09-SNSN-0102-4XCR~~ pertains) *
- July 2009: USMC Contracting Officers suggested GDMA was somehow influencing the Indonesian military against the use of a competitor. (CCN ~~10SEP09-SNSN-0341-4XNA~~) *

(b)(7)(A)



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- October 2009: A DoD hotline complaint alleged deception by GDMA to initiate cancelation of bunker fuel properly ordered by the Defense Energy Supply Center (DESC) under contract SP0600-06-D-0391. When the DESC fuel order was canceled, the complaint alleged it allowed GDMA to order fuel from another source at a significantly increased price. The complainant also alleged waste and abuse by FISC Singapore personnel by failing to stop the alleged fraud. DoJ declined to entertain prosecution, noting the lack of definitive criminal violations detailed in the hotline report. (CCN 17NOV09-SNJK-0018-4XNA) ✖
- December 2009: A GDMA competitor alleged disclosure of proprietary information to GDMA via the Asia Navy Electronic Commerce On-line (NECO) website by a DoN employee. When interviewed, the employee's (b)(6), (b)(7)(C) stated the disclosure was inadvertent, and no investigation was initiated. The (b)(6), (b)(7)(C) is a subject of the current GDMA investigation. (CCN 07DEC09-FEYK-0373-4XCR refers) ✖
- December 2009, Force Protection support related contact with GDMA. (CCN 04DEC09-FAAJ-0190-5MNA pertains).

(b)(7)(A)

(b)(7)(A)

(b)(7)(A)

2011: SNFO publishes a vulnerability assessment of FLC Singapore in which the GDMA contracts are identified as the primary vulnerability. 03NOV11-SNSN-0340-4GCR ✖

(b)(7)(A), (b)(7)(D), (b)(7)(E)

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(b)(6), (b)(7)(C)



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- April 2012: (b)(6), (b)(7)(C) USS Blue Ridge (LCC-19) expressed concern regarding the vulnerability of the being overcharged for CHT removal by husbanding contractor Military Agency Services (MAS). The (b)(6), (b)(7)(C) was not concerned about GDMA because he knew the GDMA project manager was (b)(6), (b)(7)(C). The (b)(6), (b)(7)(C) stated there were many times when he knew MAS was gouging him, and when charges were protested, they would typically settle in the middle because there was no way to factually dispute their inflated measurements and prices. (CCN ~~20APR12-FEYK-0259-4YCR~~) *

- May 2012: A NCIS Special Agent on site during a USN port call supported by GDMA was approached by host nation personal who voiced major criticisms of MAS, a competitor of GDMA. All (b)(6), (b)(7)(C) interviewed had positive comments regarding the support their received from GDMA. The \$2.1 million paid to GDMA to support the USS Carl Vinson (CVN-70) port visit was deemed reasonable. (CCN ~~28MAY12-FEYK-0348-4YCR~~ refers) *

• [REDACTED]

(b)(7)(A)

- May 2012: Allegations were made that a conflict of interest existed involving a (b)(6), (b)(7)(C) working for GDMA. The investigation was declined for prosecution by DoJ. (CCNs ~~16MAR12-FEYK-0160-4CCR~~ and ~~29MAY12-SNSN-0087-4CNA~~ apply)

• [REDACTED]

(b)(7)(A)

• [REDACTED]

(b)(7)(A)

- October 2012: A limited assistance investigation was initiated to provide support to a Korean police investigation environmental crimes related to CHT dumping by GDMA. (CCN ~~26OCT12-FEPU-6010-4NNA~~) *

• [REDACTED]

(b)(7)(A)

• [REDACTED]

(b)(7)(A)



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(b)(7)(A)

(b)(7)(A), (b)(7)(E)

March 2013: SNFO briefed a small FLC working group on the investigation, to include the concerns regarding an extensive source network established by Francis. The group began contingency planning for husbanding services following Francis' future arrest.

(b)(7)(A)

(b)(7)(A), (b)(7)(E)

(b)(7)(A)

13SEP13-SWND-0491-4HNA
18OCT13-FESS-0260-4XCR

S/GDMA- Current investigation
I/Receipt of information pertaining to the rerouting of the
former USS GUARDIAN (MCM-5)

Updated: 10 Feb 14

(b)(6), (b)(7)(C)

-----Original Message-----

From: DMDS.CNAL

Sent: Friday, August 03, 2012 16:48

To: SDNI_CNAF_N01J_MSG; SDNI_CNAF_ACDO; SDNI_CNAF_NMASS; SDNI_CNAF_CDO;
SDNI_CNAF_N40T_MSG; SDNI_CNAF_N40R_MSG; SDNI_CNAF_N422; CNAP N435 MESSAGES;
SDNI_CNAF_N01C_MSG; SDNI_CNAF_N41

Cc: NRFK_CNAL_N01L; NRFK_CNAL_SDO; NRFK_CNAL_N01

Subject: READDRESS JUDICIOUSNESS IN DEALING WITH HUSBANDING CONTRACTORS// COMNAVAIRPAC
SAN DIEGO CA 031642Z AUG 12 UNCLAS R

Importance: Low

UNCLASSIFIED//

RTTUZYUW RUCOSSA0001 2161642-UUUU--RHMCSUU.

ZNR UUUUU

R 031642Z AUG 12 ZYB

FM COMNAVAIRPAC SAN DIEGO CA

TO USS ENTERPRISE

USS NIMITZ

USS DWIGHT D EISENHOWER

USS CARL VINSON

USS THEODORE ROOSEVELT

USS ABRAHAM LINCOLN

USS GEORGE WASHINGTON

USS JOHN C STENNIS

USS HARRY S TRUMAN

USS RONALD REAGAN

USS GEORGE H W BUSH

INFO COMPACFLT PEARL HARBOR HI

COMNAVAIRLANT NORFOLK VA

BT

UNCLAS//N05720//

SUBJ/READDRESS JUDICIOUSNESS IN DEALING WITH HUSBANDING CONTRACTORS// POC (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C) UNIT:COMNAVAIRPAC N01J/NAME:SAN DIEGO CA/TEL: (b)(6), (b)(7)(C) /TEL:DSN (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) EMAIL (b)(6), (b)(7)(C) @NAVY.MIL// POC (b)(6), (b)(7)(C) CIV/UNIT:COMNAVAIRPAC
N41/NAME:SAN DIEGO CA/TEL: (b)(6), (b)(7)(C) /TEL:DSN (b)(6), (b)(7)(C)
EMAIL (b)(6), (b)(7)(C) @NAVY.MIL// REF/A/MSG/COMPACFLT PEARL HARBOR HI 190105Z JUL 12//

AMPN/REF A IS COMPACFLT POLICY ON JUDICIOUSNESS IN DEALING WITH HUSBANDING
CONTRACTORS// RMKS/1. REF A IS QUOTED BELOW IN ITS ENTIRETY. THIS POLICY, PROVIDES SPECIFIC
GUIDANCE ON ETHICS ISSUES THAT MAY ARISE WHEN ENGAGED WITH HUSBANDING CONTRACTORS.
REQUEST WIDEST DISSEMINATION.

2. COMMANDS SHOULD CAREFULLY EVALUATE THEIR CONDUCT WHEN INTERFACING WITH
HUSBANDING CONTRACTORS AS THE POSSIBILITY EXISTS FOR BEING CALLED INTO QUESTION OVER
GIFTS RECEIVED AND OTHER ETHICS SITUATIONS. CVN SUPPLY OFFICERS AND COMMAND JUDGE
ADVOCATES SHOULD BECOME FAMILIAR WITH THIS GUIDANCE AND ADVISE THE CHAIN OF COMMAND
AS REQUIRED.

000009

3. QUESTIONS BEYOND THE SCOPE OF THIS GUIDANCE SHOULD BE REFERRED TO (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) COMNAVAIRPAC AT (b)(6), (b)(7)(C) OR MS. (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) COMNAVAIRPAC AT (b)(6), (b)(7)(C)

QUOTE

R 190105Z JUL 12 ZYB

FM COMPACFLT PEARL HARBOR HI

TO RUOIABD/COMNAVAIRPAC SAN DIEGO CA

RUOIAAA/COMNAVSURFPAC SAN DIEGO CA

RHHMDBA/COMSUBPAC PEARL HARBOR HI

RHOVVKG/COMSEVENTHFLT

RHOVQUE/COMTHIRDFLT

INFO RUOIAAA/COMPACFLT PEARL HARBOR HI

RHMFSS/COMPACFLT PEARL HARBOR HI

SECINFO/-/-//

MSGID/GENADMIN,USMTF,2008/COMPACFLT PEARL HARBOR HI// /JUDICIOUSNESS IN DEALING WITH

HUSBANDING CONTRACTORS// POC (b)(6), (b)(7)(C) TEL (b)(6), (b)(7)(C)

EMAIL (b)(6), (b)(7)(C) (AT)NAVY.MIL//

RMKS/1. PACFLT COMMANDING OFFICERS AND OTHER PERSONNEL ARE REQUESTED TO CONSULT WITH A STAFF JUDGE ADVOCATE (SJA) PRIOR TO ACCEPTING OFFERS AND RECEIPT OF TRANSPORTATION, LODGING, MEALS OR ENTERTAINMENT FROM HUSBANDING CONTRACTORS.

2. BACKGROUND. COMMANDING OFFICERS THROUGHOUT THE NAVY ARE EXPECTED TO MAINTAIN THE HIGHEST ETHICAL STANDARDS FOR THEMSELVES AND THEIR CREWS. SUBORDINATE COMMANDS WILL ENSURE THAT ALL PERSONNEL, AFLOAT OR ASHORE, IN POSITIONS AUTHORIZED TO EXPEND GOVERNMENT FUNDS, INCLUDING COMMANDING OFFICERS, EXECUTIVE OFFICERS, OFFICERS-IN-CHARGE, STAFF OFFICERS, AND THOSE WITH CONTRACTING OR ORDERING OFFICER AUTHORITY, REVIEW THE JOINT ETHICS REGULATION (JER) AND ADHERE TO ITS GUIDELINES.

CURRENT DOD ETHICS TRAINING IS AVAILABLE ONLINE AT:

[HTTPS://DONOGC.NAVY.MIL/ETHICS](https://DONOGC.NAVY.MIL/ETHICS) OR [HTTP://ETHICS/NAVY.MIL](http://ETHICS/NAVY.MIL).

3. POLICY REFRESHER. IT IS OUR RESPONSIBILITY TO BE GOOD STEWARDS OF TAXPAYER RESOURCES, WHICH REQUIRES A WORKING KNOWLEDGE OF THE JER LIMITATIONS CONCERNING THE EXTENT TO WHICH GOVERNMENT OFFICIALS MAY ACCEPT TRANSPORTATION, LODGING, MEALS, ENTERTAINMENT, OR OTHER GIFTS FROM GOVERNMENT CONTRACTORS. WHILE THERE ARE SPECIALIZED EXCEPTIONS AS TO WHAT IS CONSIDERED A GIFT OR NOT, GOVERNMENT OFFICIALS ARE GENERALLY RESTRICTED FROM ACCEPTING GIFTS VALUED AT MORE THAN 20 USD FROM A CONTRACTOR AT ONE TIME AND MAY NOT ACCEPT GIFTS TOTALING PAGE 03 RHHMHAA0089 UNCLAS MORE THAN 50 USD FROM A SINGLE CONTRACTOR OVER THE COURSE OF A YEAR. SEE 5 CFR 2635.204(A). ANOTHER GIFT EXCEPTION INVOLVES MEALS, REFRESHMENTS, AND ENTERTAINMENT IN FOREIGN AREAS, PROVIDED THAT: (1) THE MARKET VALUE OF THE GIFTS, AS CONVERTED TO US DOLLARS, DOES NOT EXCEED THE PER DIEM RATE FOR THE FOREIGN AREA AS SPECIFIED IN THE US DEPARTMENT OF STATE'S MAXIMUM PER DIEM ALLOWANCES FOR FOREIGN AREAS, (2) THERE IS PARTICIPATION IN THE MEETING OR EVENT BY NON-US CITIZENS OR BY REPRESENTATIVES FROM FOREIGN GOVERNMENTS OR OTHER FOREIGN ENTITIES, (3) ATTENDANCE IS PART OF THE EMPLOYEE'S OFFICIAL DUTIES TO OBTAIN INFORMATION, DISSEMINATE INFORMATION, PROMOTE THE EXPORT OF US GOODS AND SERVICES, REPRESENT THE UNITED STATES OR OTHERWISE FURTHER PROGRAMS OR OPERATIONS OF THE NAVY OR US MISSION IN THE FOREIGN AREA, AND (4) THE GIFTS ARE FROM A PERSON OTHER THAN A FOREIGN GOVERNMENT. SEE 5 CFR 2635.204(I). THE GOVERNMENT OFFICIAL IS RESPONSIBLE FOR DETERMINING THE FAIR MARKET VALUE OF ANY GIFTS ACCEPTED. A RECEIPT FROM THE CONTRACTOR IS NOT PROOF OF VALUE PER SE.

4. RELATIONSHIPS WITH CONTRACTORS. ONE PARTICULAR AREA OF CONCERN IS MAINTAINING PROPER BUSINESS RELATIONSHIPS WITH HUSBANDING CONTRACTORS. PACFLT COMMANDING OFFICERS AND OTHER PERSONNEL DEALING WITH HUSBANDING CONTRACTORS WILL REFRAIN FROM ACCEPTING AND PERSONALLY BENEFITING FROM ANY PRODUCT OR SERVICE, INCLUDING RECEIPT OF TRANSPORTATION, REDUCED ROOM RATES, MEALS, OR ENTERTAINMENT FROM CONTRACTORS UNLESS AUTHORIZED UNDER CURRENT DOD RULES AND REGULATIONS.

MOREOVER, PACFLT POLICY IS THAT THE GIFT EXCEPTION IN 5 CFR

235.204(I) DOES NOT JUSTIFY ACCEPTING TRANSPORTATION, LODGING, MEALS OR ENTERTAINMENT FROM OVERSEAS CONTRACTORS WHILE CONDUCTING ROUTINE BUSINESS FOR SUPPLIES OR SERVICES DELIVERED BY THE CONTRACTOR. IN ALL CASES, PERSONNEL SHOULD CONSULT THEIR JAG/LEGAL COUNSEL, CONTRACTING OFFICER AND SUPPLY STAFFS BEFORE ACCEPTING ANY GOODS OR SERVICES FROM CONTRACTORS DOING BUSINESS WITH THE US GOVERNMENT, PARTICULARLY IF SUCH GOODS OR SERVICES APPEAR TO BE A GIFT PROVIDED FOR THE PERSONAL BENEFIT OF THE RECIPIENT.

5. REQUIRED PACFLT DOCUMENTATION: EFFECTIVELY IMMEDIATELY, SHOULD GIFTS, TO INCLUDE GIFTS OF TRANSPORTATION, LODGING, MEALS, OR ENTERTAINMENT BE ACCEPTED FROM CONTRACTORS DURING EVENTS SUCH AS DEPLOYMENT PLANNING MEETINGS OR PORT PLANNING VISITS OR OTHER MEETINGS, PACFLT COMMANDING OFFICERS AND OTHER PERSONNEL SHALL REPORT THE ACCEPTANCE OF SUCH GIFTS TO A SJA WITHIN THE RECIPIENT'S IMMEDIATE CHAIN OF COMMAND, INCLUDING AN EXPLANATION OF HOW THE VALUE OF THE GIFTS WERE CALCULATED AND THE APPROPRIATE BASIS FOR ACCEPTANCE. REPORTS MAY BE MADE ORALLY OR IN WRITING. SJA'S WILL DOCUMENT THE ACCEPTANCE OF GIFTS, THEIR VALUE, AND BASIS FOR ACCEPTANCE AND RETAIN THAT DOCUMENTATION FOR ONE YEAR.

6. POINTS OF CONTACT: (b)(6), (b)(7)(C) AT)NAVY.MIL, COMM

(b)(6), (b)(7)(C) DSN (b)(6), (b)(7)(C) OR (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) AT) NAVY.MIL, COMM (b)(6), (b)(7)(C) DSN (b)(6), (b)(7)(C) UNQUOTE// BT

#0001

NNNN

<DmdsReleaser>ALT.AIRFOR.N57012.DMDS1.0202552112</DmdsReleaser>

UNCLASSIFIED//



DEPARTMENT OF THE NAVY

NAVAL NUCLEAR PROPULSION PROGRAM
NAVAL SEA SYSTEMS COMMAND (SEA 08)
1333 ISAAC HULL AVENUE SE
WASHINGTON NAVY YARD DC 20376-8010

5800
Ser 08B-MP/0196
December 11, 2014

MEMORANDUM FOR SECRETARY OF THE NAVY

**SUBJECT: Accountability Actions Relating to Glenn Defense Marine Asia (GDMA) –
USS RONALD REAGAN STRIKE GROUP (2006-2007)**

References: (a) SECNAV ltr of 28 Mar 14
(b) VCNO ltr 5800 Ser N09/ of 28 Mar 14
(c) DoDI 1320.04

References (a) and (b) designated me as the consolidated disposition authority (CDA) for the above-referenced subject matter. This memorandum summarizes the CDA actions taken to date.

In the cases of VADM Michael H. Miller, USN, RADM Terry B. Kraft, USN, and RDML David R. Pimpo, USN, I recommend that you issue Secretarial Letters of Censure and revoke end of tour awards for the assignments concerned. TABs A through C pertain. Further, I directed my staff to ensure that a summary of VADM Miller's and RDML Pimpo's lack of judgment in regards to their relationships with a prohibited source and foreign national be reported on the Joint Personnel Adjudication System (JPAS). I have also directed my staff to refer this matter to the Acquisition Integrity Office (AIO) for any action deemed appropriate.

In the cases of [REDACTED] (b)(6), (b)(7)(C) USN, and [REDACTED] (b)(6), (b)(7)(C) USN, I addressed their lapses in judgment via appropriate administrative measures within my authority as the CDA. There were also approximately 20 other officers (including one [REDACTED] (b)(6), (b)(7)(C)) from the subject strike group who may have attended GDMA-hosted dinners. I intend to handle those cases with similar appropriate administrative measures.

In accordance with reference (c), any substantiated adverse finding or conclusion from an officially documented investigation or inquiry, or any other credible information of an adverse nature, constitutes "adverse information." I have, therefore, reported all of the substantiated adverse findings concerning each of the aforementioned flag officers to the Naval Inspector General, who will maintain a record of these findings.

One of the issues raised by this matter involves the use of Bravo Zulu (BZ) messages and Letters of Appreciation concerning GDMA, and when the use of the same crosses the line between expressing a permissible "thank you" for meeting contractual

requirements and expressing an impermissible endorsement of, or preference for, GDMA. Understanding that the evidence received thus far only captures a brief snapshot of time, mainly in 2006 and 2007, I am concerned that there may well have been a lack of understanding concerning the ethical rules in this area, especially among some of the Navy's more senior leaders in the Pacific Fleet area of responsibility. While systemic corrective training measures may have been implemented in the interim, I intend to discuss this issue with the Vice Chief of Naval Operations.

The evidence also suggests that there was not a uniform and well established process concerning how opinions are sought from an ethics counselor, how evidence of such opinions are maintained, and how market value determinations of gifts are made. I will engage further on this issue with the Deputy Judge Advocate General of the Navy.

Finally, I note, again during the stated time period of this review, attempts by Navy personnel to circumvent the Navy's oversight responsibilities over contractors. My CDA team will brief Supply Corps senior leaders on the investigation to determine any lessons learned.

A handwritten signature in black ink, appearing to read 'J. M. Richardson', with a long horizontal flourish extending to the right.

J. M. RICHARDSON

Attachments:
As stated

cc:
VCNO
DJAG



THE SECRETARY OF THE NAVY

WASHINGTON, DC 20350-1000

JAN 23 2015

From: Secretary of the Navy
To: RDML David R. Pimpo, SC, USN
Subj: SECRETARIAL LETTER OF CENSURE

Ref: (a) 5 C.F.R. Part 2635
(b) U.S. Navy Regulations, 1990
(c) JAGMAN 0114a

1. In 2006 and 2007, while serving as the Supply Officer, USS RONALD REAGAN (CVN 76) which was deployed to the Seventh Fleet area of responsibility, you demonstrated very poor judgment and leadership regarding your relationship with Mr. Leonard Francis, the President of Glenn Defense Marine Asia (GDMA), a defense contractor and, therefore, a prohibited source. During deployment, you engaged in repeated inappropriate contact with Mr. Francis. This repeated and increasingly personal contact evolved into a relationship where you were repeatedly paying Mr. Francis for personal expenses at a rate far below the market value of the items and services which were provided. As a prohibited source, Mr. Francis had a clear and obvious financial incentive to subsidize the purchase of these items in an effort to develop a stronger relationship with a senior officer.

2. You repeatedly and improperly accepted gifts from a prohibited source by failing to pay their market value or return them, as required per reference (a). You paid \$1,000 total for at least three but possibly up to five ship models. The market value of each of these ship models was at least \$870.00. You attended three GDMA-hosted dinner parties. The first dinner was held on 9 February 2006 at the Jaan Restaurant in Singapore. The second and third dinners were both in Hong Kong; one on 11 June 2006 at Petrus Restaurant and the other on 10 March 2007 at Spoon Restaurant. For the February 2006 and March 2007 dinners, you paid \$50.00 for attending each of these two dinner parties. For the remaining dinner party, although it is unclear what, if anything, you paid for it, it is likely that you did not pay more than \$50.00. You stated (b)(7)(E), (b)(7)(A) that \$50.00 was a reasonable amount to pay because you were not savvy enough to know the difference between a \$50.00 dinner and a \$500.00 dinner, or words to that effect. The market value of each lavish dinner party was considerably more than \$50.00 per person. For example, the total cost of one of the dinners was approximately \$23,061.50, which equates to \$768.72 per attendee.

Subj: SECRETARIAL LETTER OF CENSURE

As a Supply Officer with 20 years of service at the time, you knew or should have known that \$50.00 per person was not the market value of these extravagant dinner parties.

3. You also accepted sightseeing and shopping tour services from GDMA for (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) of select senior officers on or about 9 June 2006 while in Hong Kong. You also twice solicited and accepted the improper gift of lodging reservation services in Hong Kong from GDMA; once for yourself, (b)(6), (b)(7)(C) and select senior officers (b)(6), (b)(7)(C) in May 2006, and on a second occasion for yourself and select senior officers on or about 22 February 2007 through on or about 10 March 2007. These services fell outside the scope of GDMA's contract with the Navy and were provided at no charge to you. As Supply Officer, you knew or should have known the contractual obligations and limitations of GDMA vis-à-vis the Navy. Nevertheless, you used your relationship with Mr. Francis to secure tour services and hotel rooms for the benefit of yourself and senior Carrier Strike Group SEVEN (COMCARSTRKGRU SEVEN) leadership.

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

The COMCARSTRKGRU SEVEN

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

indicating that he does not specifically remember discussing these matters at the time and that, if he did discuss them, based on the description of the events which were provided to the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) by the investigators, he does not believe that those seeking a legal opinion fully disclosed the relevant facts. (b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

the former RONALD REAGAN

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

He stated that he did not opine that you could legally engage in the described conduct. Furthermore, the former RONALD REAGAN (b)(7)(E), (b)(7)(A) stated that since he was not a designated (b)(7)(E), (b)(7)(A), he knew that only the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) would have issued such legal opinions. Based on the materials in the record concerning you, there are no exceptions to the acceptance of these gifts which are applicable to you in accordance with reference (a).

5. Reference (a) makes clear that notwithstanding any exception that might have applied to you, gifts from the same or different sources on a basis so frequent that a reasonable person would be

Subj: SECRETARIAL LETTER OF CENSURE

led to believe that you were using your public office for private gain shall not be accepted. Given the frequency of the gifts which you received from Mr. Francis, your actions would have led a reasonable person with knowledge of the relevant facts to believe that you used your public office for private gain.

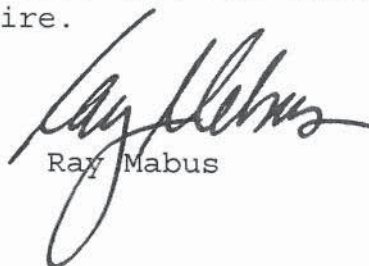
6. Furthermore, you permitted Mr. Francis to use your position as the RONALD REAGAN Supply Officer to promote the business interests of GDMA by coordinating with him the issuance of inappropriate Bravo Zulu messages on behalf of GDMA, and agreeing with Mr. Francis to conceal the true nature of a dinner party from the Hong Kong Ship Support Office, which Mr. Francis considered to be critical of his company. The timing of these official acts by you occurring after the acceptance of prohibited gifts, at least, created the appearance that Mr. Francis was influencing the performance of your official duties.

7. In matters of personal behavior, you were responsible to set the ethical and moral tone for your subordinates, per reference (b). Your improper acceptance of gifts as well as your inappropriately familiar and increasingly supportive relationship with Mr. Francis and GDMA were unsatisfactory. Your conduct constituted a significant deviation from the standards expected of all naval officers.

8. Your conduct during this period was contrary to the Standards of Ethical Conduct for Employees of the Executive Branch and U.S. Navy Regulations, references (a) and (b); standards which you had a duty to know and obey.

9. You are, therefore, administratively censured for your leadership failure. A copy of this letter will be placed in your official service record in accordance with reference (c).

10. Within 15 days of receipt of this letter, you may forward a rebuttal, consistent with reference (c), for inclusion in your official record, if you so desire.



Ray Mabus

Copy to:
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THE SECRETARY OF THE NAVY

WASHINGTON, DC 20350-1000

JAN 23 2015

From: Secretary of the Navy
To: RADM Michael H. Miller, USN
Subj: SECRETARIAL LETTER OF CENSURE

Ref: (a) 5 C.F.R. Part 2635
(b) DoD 5500.07-R (JER)
(c) U.S. Navy Regulations, 1990
(d) JAGMAN 0114a

1. In 2006, while serving as Commander, Carrier Strike Group SEVEN (COMCARSTRKGRU SEVEN), which was embarked in USS RONALD REAGAN (CVN 76) and deployed to the Seventh Fleet area of responsibility, you demonstrated very poor judgment and leadership regarding your relationship with Mr. Leonard Francis, the President of Glenn Defense Marine Asia (GDMA), a defense contractor and, therefore, a prohibited source. Prior to the deployment, you initiated e-mail contact with Mr. Francis, indicating that you looked forward to renewing your friendship. This contact began as a request for a shopping recommendation regarding the purchase of personal items. During deployment, you engaged in repeated inappropriate contact with Mr. Francis. This repeated and increasingly personal contact evolved into a relationship where you were repeatedly paying Mr. Francis for personal expenses at a rate far below the market value of the items and services which were provided. As a prohibited source, Mr. Francis had a clear and obvious financial incentive to subsidize the purchase of these items in an effort to develop a stronger relationship with a senior flag officer.

2. You repeatedly and improperly accepted gifts from a prohibited source by failing to pay their market value or return them, as required per reference (a). You received a ship model of RONALD REAGAN. The market value of the ship model was at least \$870.00, for which you reimbursed Mr. Francis only \$500.00. You attended three dinner parties. The first dinner was held on 9 February 2006 at the Jaan Restaurant in Singapore; the second dinner was held on 4 June 2006 at the Suisse Chalet Restaurant in Kuala Lumpur, Malaysia; and the third was held in Hong Kong at Petrus Restaurant on 11 June 2006. You paid \$50.00 for attending the GDMA-hosted dinner in Singapore. On 5 June 2006, you signed a personal check for \$1,650.00, which you

Subj: SECRETARIAL LETTER OF CENSURE

explained was to pay, on behalf of yourself and others, \$50.00 per person for the other two GDMA-hosted dinner parties. According to your check registry, you also signed a check on the same day for \$1,200.00 for a "CHAIR+DINNER+CIGARS," but you did not recall to which dinner this check referenced or how much of this amount was associated with compensation for a dinner. However, even viewing the facts in the most favorable light to you by assuming that the entire \$1,200.00 was intended to pay for you and others who attended the GDMA-hosted dinner parties in Malaysia and Hong Kong, the amount was inadequate and still resulted in a gift from a prohibited source. The market value of each lavish dinner party was considerably more than \$50.00 per person. For example, the total cost of one of the dinners was approximately \$23,061.50, which equates to \$768.72 per person. Further, you stated to federal investigators that paying \$50.00 per person for each of the three dinner parties would have fully compensated Mr. Francis, or words to that effect. As a flag officer with over thirty years of naval service at the time, you knew or should have known that \$50.00 per person was not the market value for these extravagant dinner parties.

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

The

COMCARSTRKGRU SEVEN

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

indicating that he does not specifically remember discussing these matters at the time and that, if he did discuss them, based on the description of the events which were provided to the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) by the investigators, he does not believe that those seeking a legal opinion fully disclosed the relevant facts.

(b)(7)(E), (b)(7)(A)

the former RONALD REAGAN

(b)(7)(E), (b)(7)(A)

stated that he did not opine that the Commanding Officer of RONALD REAGAN could legally engage in the described conduct. Furthermore, the former RONALD REAGAN (b)(7)(E), (b)(7)(A) stated that since he was not a designated (b)(7)(E), (b)(7)(A) he knew that only the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) would have issued such legal opinions. Based on the materials in the record concerning you, there are

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no exceptions to the acceptance of these gifts which are applicable to you in accordance with reference (a).

4. Reference (a) makes clear that notwithstanding any exception that might have applied to you, gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe that you were using your public office for private gain shall not be accepted. Given the frequency of the gifts you received from Mr. Francis, especially as two of the dinners occurred on dates that were only a week apart, your actions would have led a reasonable person with knowledge of the relevant facts to believe that you used your public office for private gain.

5. In addition to improperly accepting gifts from a prohibited source, you solicited a gift from a prohibited source, in violation of the ethics regulations, when you asked Mr. Francis to arrange a dinner party in Hong Kong for 11 June 2006.

6. You further exercised poor judgment by improperly expressing in your official capacity your opinion that GDMA was a superior contractor to its competitors, which is prohibited by references (a) and (b). This display of poor judgment was aggravated by the fact that you issued these endorsements within days after the extravagant GDMA-hosted dinners that you attended.

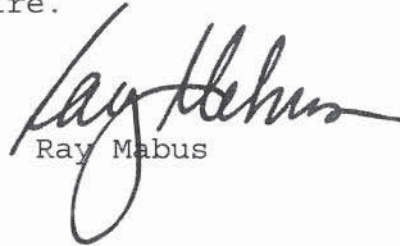
7. In matters of personal behavior, you were responsible to set the ethical and moral tone for your subordinates, per reference (c). Your improper acceptance of gifts as well as your inappropriately familiar and increasingly supportive relationship with Mr. Francis, a prohibited source, were unsatisfactory and cultivated an unacceptable sub-par ethical climate within your command. Your conduct constituted a significant deviation from the standards expected of all naval officers, particularly those entrusted with command.

8. Your conduct during this period was contrary to the Standards of Ethical Conduct for Employees of the Executive Branch, the Joint Ethics Regulation, and U.S. Navy Regulations, references (a), (b), and (c); standards which you had a duty to know and obey.

9. You are, therefore, administratively censured for your leadership failure. A copy of this letter will be placed in your official service record in accordance with reference (d).

Subj: SECRETARIAL LETTER OF CENSURE

10. Within 15 days of receipt of this letter, you may forward a rebuttal, consistent with reference (d), for inclusion in your official record, if you so desire.



Ray Mabius

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THE SECRETARY OF THE NAVY

WASHINGTON, DC 20350-1000

JAN 23 2015

From: Secretary of the Navy
To: RADM Terry B. Kraft, USN
Subj: SECRETARIAL LETTER OF CENSURE

Ref: (a) 5 C.F.R. Part 2635
(b) DoD 5500.07-R (JER)
(c) U.S. Navy Regulations, 1990
(d) JAGMAN 0114a

1. In 2006 and 2007, while serving as Commanding Officer, USS RONALD REAGAN (CVN 76) which was deployed to the Seventh Fleet area of responsibility, you demonstrated very poor judgment and leadership by repeatedly accepting gifts from Mr. Leonard Francis, the President of Glenn Defense Marine Asia (GDMA), a defense contractor and, therefore, a prohibited source. You improperly accepted gifts from a prohibited source by repeatedly paying Mr. Francis for extravagant dinners at a rate far below their market value. As a prohibited source, Mr. Francis had a clear and obvious financial incentive to subsidize the purchase of these items in an effort to develop a stronger relationship with a senior officer.

2. You attended four GDMA-hosted dinner parties. The first dinner was held on 9 February 2006 at the Jaan Restaurant in Singapore; the second dinner was held on 4 June 2006 at the Suisse Chalet Restaurant in Kuala Lumpur, Malaysia. The third and fourth dinners were both in Hong Kong; one on 11 June 2006 at Petrus Restaurant and the other on 10 March 2007 at Spoon Restaurant. By your own admission, you paid \$70.00 for each of these dinners. The market value of each lavish dinner party was considerably more than \$70.00 per person. For example, the total cost of one of the dinners was approximately \$23,061.50, which equates to \$768.72 per attendee. Further, you stated to federal investigators that \$70.00 was a reasonable amount to pay, or words to that effect. As a senior officer with over 25 years of service at the time, you knew or should have known that \$70.00 per person was not the market value of these extravagant dinner parties.

Subj: SECRETARIAL LETTER OF CENSURE

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A) You claimed that both the Carrier Strike Group SEVEN (COMCARSTRKGRU SEVEN) and RONALD REAGAN (b)(7)(E), (b)(7)(A) (b)(7)(C) had to approve attendance at off-ship dinners and that you had received specific guidance from your RONALD REAGAN (b)(7)(E), (b)(7)(A) that you could attend all four dinners. You additionally claimed that the RONALD REAGAN (b)(7)(E), (b)(7)(A) also spoke to the (b)(7)(E), (b)(7)(A) and that they determined that the cost of each of the four dinners should be around \$70.00. (b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

The COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A)

(b)(7)(E), (b)(7)(A) does not specifically remember discussing these matters at the time and that, if he did discuss them, based on the description of the events which were provided to the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) by the investigators, he does not believe that those seeking a legal opinion fully disclosed the relevant facts. (b)(7)(E), (b)(7)(A) your former RONALD REAGAN (b)(7)(E), (b)(7)(A) stated that he did not opine that you could legally engage in the described conduct. Furthermore, your former (b)(7)(E), (b)(7)(A) stated that since he was not a designated (b)(7)(E), (b)(7)(A) he knew that only the COMCARSTRKGRU SEVEN (b)(7)(E), (b)(7)(A) would have issued such legal opinions. Based on the materials in the record concerning you, there are no exceptions to the acceptance of these gifts which are applicable to you in accordance with reference (a).

4. Reference (a) makes clear that notwithstanding any exception that might have applied to you, gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe that you were using your public office for private gain shall not be accepted. Given the frequency of the gifts which you received from Mr. Francis, especially as two of the dinners occurred on dates that were only a week apart, your actions would have led a reasonable person with knowledge of the relevant facts to believe that you used your public office for private gain.

5. You further exercised poor judgment by issuing an official Bravo Zulu (BZ) message that described GDMA as the best in the world and unrivaled in the delivery of customer service, which is prohibited by references (a) and (b). The lack of judgment in issuing the BZ message was aggravated by the fact that you

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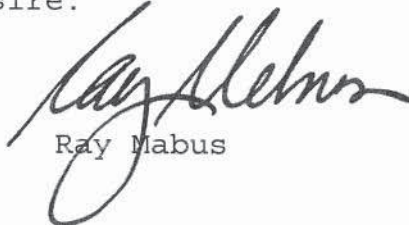
distributed the endorsement within days of attending one of the extravagant GDMA-hosted dinners.

6. In matters of personal behavior, you were responsible to set the ethical and moral tone for your subordinates, per reference (c). Your improper acceptance of gifts from a prohibited source set an unsatisfactory ethical tone. As such, your conduct constituted a significant deviation from the standards expected of all naval officers, particularly those entrusted with command.

7. Your conduct during this period was contrary to the Standards of Ethical Conduct for Employees of the Executive Branch, the Joint Ethics Regulation, and U.S. Navy Regulations, references (a), (b), and (c); standards which you had a duty to know and obey.

8. You are, therefore, administratively censured for your leadership failure. A copy of this letter will be placed in your official service record in accordance with reference (d).

9. Within 15 days of receipt of this letter, you may forward a rebuttal, consistent with reference (d), for inclusion in your official record, if you so desire.



Ray Mabius

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